

Corporate Vision and Mission

Vision

By 2019, to be a pension industry with 20 million contributors delivering measurable impact on the Economy

Mission

PenCom exists for the effective regulation and supervision of the Nigerian Pension Industry to ensure that retirement benefits are paid as and when due

November, 2018

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SECTION ONE

Pension Operating Environment

1.1 Macroeconomic Development

The macroeconomic activities slightly expanded in the third quarter of 2018 as Nigeria's real Gross Domestic Product (GDP) grew by 0.31 percentage points from 1.50 percent (year-on-year) in the previous quarter. The economy grew by 1.81 percent (year-on-year) in real terms, which was 0.41 percentage points higher than 1.40 percent recorded in the corresponding quarter of 2017. The economic growth was driven by the non-oil sector as the oil sector recorded a negative growth of 2.91 percent compared to 2.32 percent growth in the non-oil sector of the economy. The quarter on quarter real GDP growth stood at 9.05 percent during the period under review.

The contribution of the oil sector to the GDP increased from 8.55 percent in the second quarter of 2018 to 9.38 percent in the quarter under review. On the other hand, the non-oil sector contributed 90.62 percent. In addition, the economy recorded an aggregate output of ₦33.37 trillion, representing nominal growth of 13.58 percent over ₦29.38 trillion in the corresponding period of 2017 and an increase of 8.73 percent in nominal terms compared to ₦33.37 trillion recorded in the second quarter of 2018. The growth was influenced by the slowdown in the oil sector and strong performance of the services subsector of the economy.

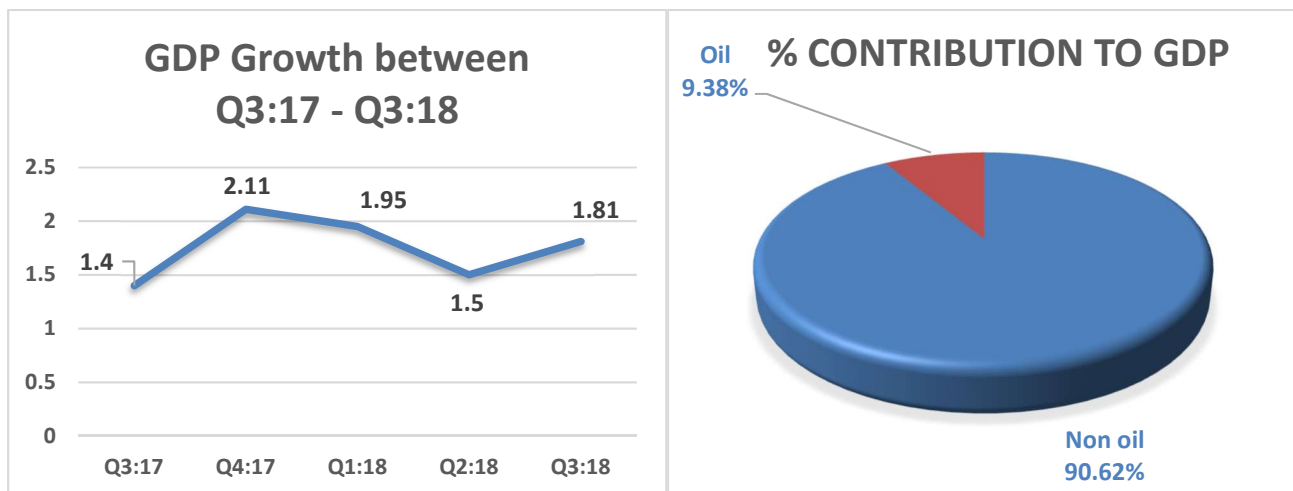


Figure 1: GDP Growth Trend between Q3:17 – Q3:18 and Sector Contribution to GDP

The inflation rate slightly rose since its steady decline over about six consecutive quarters. The inflation figure stood at 11.23 percent in the third quarter of 2018, representing 0.45 percent increase over the previous quarter and 29.41 percent decreases from the corresponding quarter of 2017 (15.98 percent). The rise in

headline inflation was from food items while core inflation decreased, hence, the slight bubble in the trend of inflation could be attributed to farmer and herdsman conflicts, flooding experienced and expected 2019 election spending. This is notwithstanding of the monetary authority efforts in implementing tightening measures and the relative stability in the foreign exchange market as well as raising reserve. The hike in headline inflation is expected to impact negatively on the purchasing power of the retirees.

1.2 Developments in the Money Market

The Central Bank of Nigeria (CBN) sustained its restrictive monetary policy in the quarter under review. The Monetary Policy Rate (MPR) was retained at 14 percent since the last quarter of 2016. Similarly, the Cash Reserve Ratio (CRR) was sustained at 22.5 percent to further enforce fiscal stability and sustain the level of stability in the inflation trajectory. The liquidity ratio was maintained at 30 per cent for the period under review as a check to the threat of rising prices. The symmetric corridor was retained at +200 and -500 basis points around the MPR. The effect of stable monetary environment is positive on the pension fund and the purchasing power of the retirees in the industry.

The developments on interest rates demonstrate slight ease in interbank call rate at 4.57 percent in the third quarter of 2018 from 5.00 percent recorded in the previous quarter of the same year. Furthermore, the rates on deposits of various maturities significantly decreased to the range of 4.07 and 10.08 percent in the quarter under review compared to 8.88 and 10.15 percent in the previous quarter. In addition, the prime lending rate recorded a decline to stand at 16.59 percent in the quarter from 16.78 percent in the previous quarter. Similarly, the maximum lending rate decreased by 0.40 points to 30.77 percent.

1.3 Developments in the Capital Market

The Nigerian Capital Market continued its bearish run in the quarter under review from the second quarter, 2018 with a negative return of 14.40 percent. The NSE All Share Index closed at 32,766.37 down from 38,278.55 in the previous quarter. Likewise, the market capitalization dropped by 6.84 percent during the quarter to close at ₦22.35 trillion from ₦23.99 trillion as at the end of the second quarter of 2018.

The equity market capitalization closed at ₦11.97 trillion in the quarter under review. This represented a 13.76 percent decline from ₦13.88 trillion recorded in the last quarter. In addition, the total volume of stock traded stood at 16.26 billion with a closing total trading value of ₦205.49 billion.

1.4 Developments in the Bond Market

There were no new bond issues from the Federal Government of Nigeria during the quarter. However, several other 5,7 and 10 year tenured bonds worth about ₦202.76 billion were re-opened for subscription during the period.

The developments in the Bond Market indicated an increase in the market's capitalization by 2.57 percent to stand at ₦10.37 trillion from ₦10.11 trillion recorded during the second quarter, 2018. The FGN and State Governments' Bonds were capitalized at ₦9.48 trillion and ₦606.27 billion in 61 and 23 listings respectively. Furthermore, Corporate Bonds capitalization stood at ₦274.45 billion, while Supranational Bonds closed at ₦12.95 billion in the same period. The total bond listings remained at 108 in the quarter under review.

SECTION TWO

Regulatory and Supervisory Activities

The Commission continued its consultative philosophy in the regulation and supervision of the industry. The risk-based examination approach was continuously implemented as a way of promoting transparency and providing early warning signals as well as encouraging pension operators to regularly self-evaluate their positions.

2.1 Surveillance of the Pension Industry

During the quarter under review, a new Risk Based Model was adopted and successfully implemented. The Commission conducted Routine Examinations of 16 Pension Fund Operators using the new Risk Model.

a) Compliance Reports

The major issues observed from the review of Compliance Reports forwarded by Operators during the quarter under review were:

- i. Un-credited pension contributions remained a challenge. The issue mostly affect electronic payments made by employers without attaching the schedule of payment, which will enable the Pension Fund Custodians and Administrators credit the Retirement Savings Account holders appropriately. The Pension Fund Operators Association of Nigeria in collaboration with Nigerian Inter Bank Settlement System (NIBSS) had developed Electronic Pension Contribution Collection System to address this problem; and
- ii. Delay in payment of retirement benefits to retirees due to delay in the release of Accrued Rights by the Federal Government. Government had increased its monthly releases of funds to meet its Accrued Rights obligation. This has significantly reduced the amount owed.

b) Corporate Governance

During the quarter under review, Twenty-Eight (28) or 90% of Operators forwarded their Corporate Governance Reports for the year ended 31 December 2017. The issues observed while reviewing the reports included:

- i. The size of some Boards of Directors (BOD) of large Operators were inadequate in relation to the volume and complexities of their activities. The Commission had engaged the identified Operators on the need to

increase the number of Board members to ensure that the Boards have proper balance and that members are not over stretched in the various Board Sub – Committee assignments.

- ii. The Annual Evaluation Report of the BOD of some Operators did not include the evaluation of individual Directors and Board Sub – Committees as required by the Code of Corporate Governance issued by the Commission. The operators concerned were required to ensure that subsequent evaluations include individual Directors and Board Sub – Committees.
- iii. Executive Directors were included as members of the Board Audit Committee in some Operators. This was against best practice and the concerned operators were made to exclude such Executives from Board Audit Committees forthwith.

2.1.1 Update on Returns Rendition System

As part of their obligations to the Commission, twenty-six (26) Licensed Pension Operators comprising of 16 PFAs, 4 PFCs and 6 CPFAs rendered returns for the Funds under their management/custody as well as that of the Company to the Commission via the Risk Management & Analysis System (RMAS) for the quarter ended 30 September, 2018. The remaining operators were hindered to submit their returns as a result of challenges in the process of validation as well as technical and reconciliation issues.

2.1.2 Resolution Activities

The regulatory intervention on First Guarantee Pension Limited (FGPL) was ongoing and the Interim Management Committee of the PFA was reconstituted. Appointments were made for the positions of Chairman, Managing Director (MD), Executive Director (ED), Business Development & Operations and Executive Director (ED), Finance & Investment.

2.3 Compliance and Enforcement Activities

The Commission continued to apply various strategies to ensure compliance with the provisions of the Pension Reform Act (PRA) 2014. These included the application of sanctions and collaboration with key stakeholders on public enlightenment campaigns as well as engagement of defaulting employers via pension Recovery Agents employed by the Commission to recover unremitted pension contributions.

2.3.1 Update on Compliance by the Private Sector

During the quarter under review, the Commission received a total of 4,032 applications for issuance of Pension Clearance Certificates. Out of the 4,032 applications, certificates were issued to 3,995 organisations while applications from 37 others were turned down due to non-remittance of pension contributions for the appropriate period and/or non-provision of Group Life Insurance Policy for their employees. The sum of ₦18.01 billion was remitted to 44,049 employees' RSAs by the 3,995 organisations to whom Certificates were issued.

2.2.2 Transfer of Nigeria Social Insurance Trust Fund (NSITF) Contributions to Members RSAs

The Commission continued the supervision of the transfer of NSITF contributions into beneficiaries' RSAs during the quarter under review. In this regard, Seven Hundred and Forty-One (741) NSITF transfer applications totaling ₦46.50 million were received, processed and the amount was transferred to the RSAs of the NSITF members. To date, ₦9.82 billion has been transferred to the RSAs of 136,578 NSITF contributors.

Monthly NSITF Scheme Pensions

During the quarter, the Commission processed pension payments totaling ₦59.00 million in respect of 3,470 NSITF Pensioners. The total pension payment to NSITF pensioners' amounted to ₦4.32 billion as at the end of the reporting period.

2.2.3 Update on the Recovery of Outstanding Pension Contributions and Interest Penalty from Defaulting Employers

The Commission maintained the services of 14 Recovery Agents for the recovery of outstanding pension contributions with penalty from defaulting employers. Following the issuance of demand notices to the employers whose liabilities had been established by the Agents, some of them had remitted the outstanding pension contributions and penalty.

During the quarter, the sum of ₦564.67 million representing principal contribution of ₦199.01 million and penalty of ₦365.67 million were recovered. This brought the total recoveries made to date to ₦14.95 billion comprising of principal contribution amounting to ₦7.62 billion and penalty amounting to ₦7.32 billion.

2.2.4 Update on Informal Sector Participation in the Contributory Pension Scheme (CPS)

The Commission had continued to organize sensitization workshops and enlightenment programmes on the Contributory Pension Scheme (CPS) for informal sector associations and unions as part of the strategy of driving pension coverage in the sector.

During the period under review, the Commission participated in the 29th Enugu International Trade Fair, Enugu State, to obtain the buy-in of the informal sector employees and as well as create awareness on the Contributory Pension Scheme (CPS) among the participants.

a) Implementation Plan for the Micro Pension Plan

The Framework and Guidelines for the implementation of the Micro Pension Plan were issued during the period under review. The Commission had commenced engaging various stakeholders through sensitization and awareness campaigns. The Micro Pension Plan was planned to be formally launched during the first quarter of 2019.

The Commission also had a meeting with the Staff and Management of Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) where an agreement was reached to set up a joint Technical Committee that would work towards the effective implementation of the Micro Pension Plan.

b) Micro Pension Plan (MPP) Returns Rendition

The Micro Pension returns rendition template was developed to ensure effective supervision of the plan. The returns, which would be submitted by operators, would be used to collect and analyze data/information on the MPP operations, ensure the provision of effective service delivery and protection of contributors' rights.

c) Update on Sensitization on MPP

The Commission carried out enlightenment programme across the six geopolitical zones of the country through its Zonal Offices on the Micro Pension Framework and Guidelines in order to enhance public education and buy-in. In addition, the Commission has been collaborating with regulatory bodies, Financial Inclusion Secretariat and other stakeholders on public awareness and sensitization.

2.2.5 Update on Activities of the Pension Transitional Arrangement Department (PTAD)

The Commission continued to monitor the payment of pensions to Public Service Retirees under the Defined Benefit Scheme (DBS) through monthly statutory returns from PTAD. During the quarter, the review of the statutory monthly returns rendered revealed that PTAD paid a total of ₦6.94 billion to 228,898 pensioners.

2.2.6 Update on the Refund of Pension Contribution to the Military and Security Agencies

The Commission processed 472 applications for the refund of pension contribution to Military personnel and other Security Agencies that were exempted from the Contributory Pension Scheme. The sum of ₦33.75 million was refunded to the personnel while the sum of ₦150.13 million, representing the contributions made by the Federal Government on behalf of the personnel was returned to the Contributory Pension Account with Central Bank of Nigeria.

2.3 Other Compliance Efforts

(a) Update on Implementation by the State Governments

State Governments continued to make progress in the level of implementation of the Contributory Pension Scheme (CPS). As at the end of the third quarter of 2018, twenty four (24) States of the Federation had enacted laws on the Contributory Pension Scheme (CPS) while six (6) States were at the bill stage. Five (5) States had, however, decided to adopt a pension scheme other than the CPS. In this regard, two (2) States had already drafted pension reform bills that were undergoing legislative processes. One (1) State had not commenced reforming its pension system. A breakdown of the level of implementation of the CPS by State Governments is presented in Table 2.1

Table 2.1: Level of Compliance with the CPS by State Governments

S/N	State	Remittance of Contribution	Accrued Rights	Group Life Insurance
1	Jigawa	Assets transferred to 6 PFAs for management	N/A	N/A
2	Lagos	Commenced	Funded	Implemented
3	Ogun	Commenced	Funded	Not implemented
4	Kaduna	Commenced	Funded	Not implemented
5	Niger	Commenced	Funded	Implemented
6	Delta	Commenced	Funded	Not Implemented
7	Zamfara	Commenced	Not funded	Not implemented
8	Osun	Commenced	Funded	Implemented
9	Rivers	Commenced	Funded	Implemented
10	Kano	Assets yet to be transferred	N/A	N/A

S/N	State	Remittance of Contribution	Accrued Rights	Group Life Insurance
11	Imo	Yet to commence remittance of pension contributions but the Imo State University is currently implementing the CPS under the auspices of the PRA 2014	Not funded	Not implemented
12	Kebbi	Commence	Not funded	Not implemented
13	Sokoto	Yet to commence	Not funded	Not implemented
14	Ekiti	Yet to commence	Not funded	Not implemented
15	Kogi	Yet to commence	Not funded	Not implemented
16	Bayelsa	Yet to commence	Not funded	Not implemented
17	Nasarawa	Yet to commence	Not funded	Not implemented
18	Oyo	Yet to commence	Not funded	Not implemented
19	Katsina	Yet to commence	Not funded	Not implemented
20	Akwa Ibom	Yet to commence	Not funded	Not implemented
21	Edo	Yet to commence	Not funded	Not implemented
22	Ondo	Commence	Not funded	Not implemented
23	Benue	Yet to commence	Not funded	Not implemented
24	Kwara	Yet to commence	Not funded	Not implemented
25	Plateau	Yet to commence	Not funded	Not implemented
26	Cross River	Yet to commence	Not funded	Not implemented
27	Anambra	Commenced	Funded	Not implemented
28	Enugu	Yet to commence	Not funded	Not implemented
29	Abia	Yet to commence	Not funded	Not implemented
30	Ebonyi	Yet to commence	Not funded	Not implemented
31	Taraba	Yet to commence	Not funded	Not implemented
32	Bauchi	Yet to commence	Not funded	Not implemented
33	Borno	Yet to commence	Not funded	Not implemented
34	Gombe	Yet to commence	Not funded	Not implemented
35	Yobe	Yet to commence	Not funded	Not implemented
36	Adamawa	Yet to commence	Not funded	Not implemented

Apart from enacting laws on the CPS, Table 2.1 further shows that twelve (12) out of the 36 states had commenced remittance of contributions into the RSAs of their employees. Similarly, eight (8) States had commenced the funding of their Retirement Benefit Bond Redemption Fund Accounts (RBBRFAs).

(b) Monitoring the Implementation of the CPS by State Governments

A road map covering a period of 12-18 months was developed for the engagement of labour unions, state employees, State Governments and other stakeholders, to positively influence State compliance. In this regard, the Commission conducted a routine inspection of the Delta State and Local Government Pension Bureau. The purpose of the inspection was to ascertain the level of implementation of the CPS as well as the administration of the Defined Benefits Scheme (DBS) for the State and Local Government employees.

Similarly, the Commission conducted an inspection of the Lagos State Pension Commission to determine the level of compliance of the State with its Pension Law. In addition, the draft reports of the routine inspections carried out on both the Jigawa (State and Local Governments) Contributory Pension Scheme Board and the Kaduna State Pension Bureau were forwarded to the Board and the Bureau for review before the official presentation to the States' Executive Governors.

The Commission also conducted a training workshop on the workings of the CPS for the Joint Union of Plateau State owned Tertiary Institutions (JUPTI). The Union had earlier, at a public hearing conducted by the Plateau State House of Assembly on the draft Bill on the CPS, vehemently opposed the adoption of the Scheme. At the end of the Workshop, JUPTI expressed appreciation to the Commission for the expose on the Scheme, while promising to forward its areas of concern on the Plateau State Pension Reform Bill to the Commission, for necessary guidance.

The Commission had presented a paper on the workings of the CPS at an interactive session for the Federal Capital Territory Directorate Cadre staff. The session was aimed at enlightening the staff on recent developments in pension administration in Nigeria. Sensitization workshops were also conducted for Managed Healthcare Services Limited (MHSL) and the Association for Senior Civil Servants of Nigeria (ASCSN) at Lagos and Osun States, respectively.

SECTION THREE

Pension Industry Statistics

3.1 Scheme Memberships

The pension industry recorded a 1.65 percent growth in the scheme membership during the third quarter of 2018, moving from 8.20 million contributors at the end of the preceding quarter to 8.34 million. The growth in the industry membership was driven by the Retirement Savings Account (RSA) Scheme, which had an increase of 135,746 contributors representing 1.67 percent. However, membership of the Closed Pension Fund Administration (CPFA) Scheme declined by 176 members (23,403) while the Approved Existing Scheme (AES) membership remained unchanged at 40,951 as shown in Table 3.1.

Table 3.1 Scheme Memberships as at Third Quarter, 2018

Scheme	Q1:2018	Q2:2018	Q3:2018	% change (Q2:2018 and Q3: 2018)
RSA	7,975,976	8,136,202	8,271,948	1.67
CPFA	23,656	23,579	23,403	(0.75)
AES	40,951	40,951	40,951	-
Total	8,040,583	8,200,732	8,336,302	1.65

3.1.1 Membership of RSA

A breakdown of the RSA registrations indicated a 0.74 percent (26,469) increase in RSA membership from the Public sector during the third quarter of 2018 to stand at 3,579,895. This figure represented 43.28 percent of the total RSA registration as at the third quarter of 2018.

Membership from the Private sector increased by 2.38 percent (109,277) in the quarter under review, which brought total registrations from this sector to 4,692,053 (56.72 percent) of the total RSA registration, moving from 4,582,776 in the second quarter of 2018. This growth can be attributed to the increased level of compliance by the private sector as a result of the various steps taken by the Commission to improve compliance and coverage, as well as marketing strategies of the PFAs.

Table 3.2: RSA Registrations by Age and Sector as at Third Quarter, 2018

Age Range	Public Sector		Private Sector		Total		Grand Total	
	Male	Female	Male	Female	Male	Female	Number	%
Less than 30 yrs	92,736	49,253	426,596	220,801	519,332	270,054	789,386	9.54
30 - 39 yrs	708,415	356,033	1,413,154	558,463	2,121,569	914,496	3,036,065	36.70
40 - 49 yrs	653,325	400,062	964,475	277,849	1,617,800	677,911	2,295,711	27.75
50 - 59 yrs	566,341	325,470	494,295	98,924	1,060,636	424,394	1,485,030	17.95
60 - 65 yrs	213,479	86,560	135,547	17,025	349,026	103,585	452,611	5.47
above 65 yrs	100,587	27,634	77,216	7,708	177,803	35,342	213,145	2.58
Total	2,334,883	1,245,012	3,511,283	1,180,770	5,846,166	2,425,782	8,271,948	100.00

3.1.2 RSA Registrations by PFA Market Share

The ranking of PFAs by number of registered contributors showed a redistribution of the market share across the various groups. While the market shares of the bottom three, five and ten PFAs had continued to grow, those of the top three, five and ten slightly dipped as at end of third quarter of 2018. The shares of bottom five and ten PFAs increased from 4.95 and 17.18 percent in the second quarter of 2018 to 5.03 and 17.38 percent as at the end of the reporting period respectively. However, the market shares of top five and ten PFAs dropped from 54.51 and 79.59 percent in the previous quarter to 54.26 and 79.42 percent as at the end of the quarter under review as shown in Table 3.3.

Table 3.3: RSA Registration by Market Share

PFA Ranking	Q2:18 (%)	Q3:18 (%)
Top 3	38.19	38.02
Top 5	54.51	54.26
Top 10	79.59	79.42
Bottom 3	1.99	2.05
Bottom 5	4.95	5.03
Bottom 10	17.18	17.38

Table 3.3 further indicates that the share of the top three PFAs had reduced from 38.19 percent as at second quarter, 2018 to 38.02 percent as at third quarter, 2018. The share of the bottom three PFAs increased from 1.99 percent to 2.05 percent during the same period.

Table 3.4 shows that 66.67 percent (14) of the PFAs had each registered less than 500,000 RSAs while the remaining seven PFAs (33.33 percent) had registered more than 500,000 RSAs each.

Table 3.4: Range of RSA Registration per PFA

Range of RSA Registrations	Number of PFAs
Above 1,000,000	1
500,000 – 1,000,000	6
100,000 – 499,999	11
Less than 100,000	3

3.1.3 Memberships of CPFA and AES

The total membership of the CPFAs and AESs were 23,403 and 40,951 respectively as at the end of the third quarter of 2018 as shown in Tables 3.5 and 3.6.

A review of the Tables shows a slight decrease of 0.75 percent in the membership of the CPFAs from the figures of the previous quarter, while that of the AES remained stable compared to the previous reporting period.

Table 3.5: Membership of CPFAs as at Third Quarter, 2018

Enrolment Type	Number			Percentage of Total	
	Q1:2018	Q2:2018	Q3:2018	Q2:2018	Q3:2018
Active Members	16,817	16,751	16,434	71.04	70.22
Existing Pensioners	6,142	6,196	6,260	26.28	26.75
Deferred Pensioners	694	632	709	2.68	3.03
Total	23,653	23,579	23,403	100	100

Note: Deferred pensioners are pensionable retirees who are not eligible to start drawing pension until they reach a certain age in accordance with rules and regulations of the scheme.

Table 3.6: Membership of AES as at Third Quarter, 2018

Enrolment Type	Number			Percentage of Total	
	Q1:2018	Q2:2018	Q3:2018	Q2:2018	Q3:2018
Active Members	23,836	24,255	24,255	59.23	59.23
Current Pensioners	15,423	15,313	15,313	37.39	37.39
Deferred Pensioners	149	149	149	0.36	0.36
Dependants	1,234	1,234	1,234	3.01	3.01
Total	40,642	40,951	40,951	100	100

Note: Dependants are protégés of deceased pensioners.

3.2 Generation of Employer Codes

During the quarter under review, a total of 2,379 Employer codes were generated and updated on the Contributor Registration System (CRS) based on requests submitted by organizations through PFAs. An employer code is required to match contributors from every employer with their respective monthly pension contributions. It is usually

issued prior to the commencement of remittance of pension contributions by the employer.

3.3 Pension Contributions

The total monthly pension contribution made by contributors from both the public and private sectors was ~~N~~4.94 trillion as at the end of the third quarter, 2018. This shows an increase of ~~N~~171.74 billion representing 3.60 percent over the total contributions as at the end of the previous quarter as shown in Table 3.7. A review of the aggregate total contribution shows that 50.85 percent of the contributions came from the public sector, while the private sector contributed the remaining 49.15 percent. However, contributions from the public sector amounted to 45.71 percent of the total contributions received during the third quarter of 2018 while the private sector contributed 54.29 percent during the same period.

Table 3.7: Pension Contributions as at Third Quarter, 2018

Year/Quarter	Public Sector		Private Sector		Total	
	Amount (N billion)	% of Total	Amount (N billion)	% of Total	Amount (N billion)	% of Total
2004	15.6	0.64	-	-	15.60	0.32
2005	34.68	1.43	-	-	34.68	0.70
2006	37.38	1.54	23.03	0.99	60.41	1.22
2007	80.63	3.31	68.34	2.93	148.97	3.02
2008	99.28	4.08	80.81	3.46	180.09	3.65
2009	137.10	5.63	91.21	3.91	228.31	4.62
2010	162.46	6.68	103.03	4.42	265.49	5.37
2011	228.92	9.41	119.53	5.12	348.45	7.05
2012	302.24	12.42	159.52	6.84	461.76	9.35
2013	278.50	11.45	225.42	9.66	503.92	10.20
2014	237.76	9.77	343.97	14.74	581.73	11.78
2015	200.05	8.22	358.91	15.38	558.96	11.31
2016	225.86	9.28	262.33	11.24	488.20	9.88
2017	257.11	10.57	353.73	15.16	610.84	12.36
Q1:2018	67.40	2.68	72.69	2.99	140.09	2.84
Q2:2018	68.58	2.73	72.33	2.98	140.90	2.85
Q3:2018	78.49	3.12	93.24	3.84	171.74	3.48
Total	2,512.04	100	2,428.10	100	4,940.14	100

The aggregate total pension contributions of the private sector increased from ₦2.33 trillion as at second quarter of 2018 to ₦2.43 trillion as at the end of the reporting period representing a growth of 3.99 percent. Whereas, the aggregate total pension contribution of the public sector increased by 3.23 percent from ₦2.43 trillion to ₦2.51 trillion over the same period.

3.2.1 Ranking of PFAs by the Amount of Contributions Received

The ranking of PFAs by total pension contributions received into the pension fund indicates that the top 5 ranked PFAs received 65.41 percent of the total contributions as at the end of the third quarter of 2018. The top 10 ranked PFAs accounted for 88.00 percent of the total contributions. The bottom 5 and 10 PFAs received ₦97.18 billion and ₦494.81 billion pension contributions, representing 1.81 percent and 9.20 percent of the total contributions respectively as at the end of the quarter under review.

Table 3.8: PFA Ranking by Size of Contributions as at Third Quarter, 2018

Rank	Amount (₦ billion)	Percentage of Total (%)
Top 5	3,517.89	65.41
Top 10	4,732.37	88.00
Bottom 5	97.18	1.81
Bottom 10	494.81	9.20

3.3 Pension Fund Investment

The total value of pension fund assets based on unaudited valuation reports grew from to ₦8.23 trillion as at 30 June, 2018 to ₦8.35 trillion as at the end of September, 2018 representing a growth of 1.39 percent (₦114.22 billion). The growth indicates a decrease in the growth rate compared to the 3.64 percent for the previous quarter. The breakdown of the pension assets by fund type is shown in Table 3.9.

Table 3.9: Pension Fund Portfolio by Fund Type as at Third Quarter, 2018

Fund/Period	Q1:2018		Q2:2018		Q3:2018		Change between Q3:2018 & Q2:2018	
	₦' Billion	% of Total	₦' Billion	% of Total	₦' Billion	% of Total	₦' Billion	% of Total
RSA Active Funds	5,406.42	68.05	5,572.33	67.69	5,677.86	68.03	105.53	92.38
RSA Retiree Fund	594.434	7.51	625.27	7.51	638.03	7.64	12.76	11.17
CPFAs	1,060.93	13.42	1,086.76	13.42	1,075.58	12.89	(11.18)	(9.79)
AESs	881.711	11.02	947.92	11.51	955.05	11.44	7.13	6.24
Total	7,943.49	100	8,232.29	100	8,346.51	100	114.23	100

Table 3.9 shows that as at third quarter of 2018, the RSA funds had the largest portfolio, accounting for ₦6.32 trillion (75.67 percent) of the total assets under management. CPFAs and AESs assets stood at ₦1.08 trillion and ₦955.05 billion representing 12.89 percent and 11.44 percent of the total assets under management respectively. In addition, the Table also revealed that the RSA 'Active' Fund constituted about 90 percent (₦5.68 trillion) of the total RSA Fund, while the RSA 'Retiree' Fund accounted for the rest 10 percent (₦955.05 billion) of the Fund.

A breakdown of pension industry portfolio as shown in Table 3.10 indicates that the pension fund assets were mainly invested in Federal Government Securities, with an allocation of 71 percent of the total pension assets (FGN Bonds: 52 percent, Treasury Bills: 17 percent and Agency Bonds: less than 1 percent). However, comparatively the asset shares of the FGN Securities had slightly decreased by 0.05 percentage points from 70.75 of the previous quarter to 70.70 percent in the quarter under review despite increase in the asset value.

Table 3.10: Pension Industry Portfolio as at September, 2018

ASSET CLASS	TOTAL PENSION FUND ASSETS 30- Sep-18		TOTAL PENSION FUND ASSETS 30-Jun-18		Variance Between June 2018 and September 2018	
	₦ Billion	Weight (%)	₦ Billion	Weight (%)	₦ Billion	Weight (%)
Domestic Ordinary Shares	602.06	7.21	709.511	8.62	(107.45)	(94.72)
Foreign Ordinary Shares	64.46	0.77	61.36	0.75	3.10	2.73
FGN Bonds	4,326.80	51.84	4,040.31	49.08	285.84	251.97
Treasury Bills	1,501.90	17.99	1,709.20	20.76	(207.31)	(182.74)
Agency Bonds (NMRC & FMBN)	10.80	0.13	8.35	0.10	2.45	2.16
Sukuk Bonds	54.27	0.65	58.36	0.71	(4.09)	(3.61)
Green Bonds	7.72	0.09	7.75	0.09	(0.03)	(0.03)
State Govt. Securities	152.48	1.83	151.95	1.85	0.53	0.47
Corporate Debt Securities	427.73	5.12	408.69	4.96	19.04	16.78
Supra-National Bonds	6.08	0.07	8.28	0.10	(2.20)	(1.94)
Local Money Market Securities	846.47	10.14	736.55	8.95	108.60	95.74
Foreign Money Market Securities	3.24	0.04	0.22	0.00	3.02	2.67
Open/Close-End Funds	9.01	0.11	10.39	0.13	(1.38)	(1.21)
REITs	8.79	0.11	9.52	0.12	(0.73)	(0.65)
Real Estate Properties	225.04	2.75	233.07	2.83	(8.03)	(7.08)
Private Equity Fund	40.07	0.48	38.39	0.47	1.68	1.48
Infrastructure Fund	17.12	0.21	11.37	0.14	5.75	5.07
Cash & Other Assets	38.08	0.46	29.00	0.35	14.64	12.91
Net Assets Value	8,346.51	100	8,232.27	100	113.44	100.00

Table 3.10 further indicates that the value of investments in quoted ordinary shares was ₦602.06billion (7.21 percent of industry portfolio value) as at 30 September, 2018, indicating a decrease of ₦107.45 billion (15.14 percent) compared to the value of ₦709.51 billion as at 30 June, 2018. The decrease in the value of investments in quoted equities was primarily due to the market price depreciation of some stocks during the period, as the All Share Index (NSE-ASI) and Market Capitalization depreciated by 14.47 percent and 13.84 percent respectively, from 38,278.55 bps and ₦13.87 trillion, as at 30 June 2018, to 32,740.64 bps and ₦11.95 trillion, as at 30 September 2018.

The value of investments in FGN Bonds and FGN Agency bonds increased by ₦286.49 billion (7.09 percent) and ₦2.45 billion (29.34 percent); while investments in Treasury Bills decreased by ₦207.30 billion (12.13 percent). The reduction in the value of Treasury Bills was due to matured investments and increased reallocation to other asset classes.

Table 3.11: Rank of PFA by Asset Size as at September, 2018

	Q1:2018		Q2:2018		Q3:2018	
PFA Rank	Amount (N' Billion)	% of Total RSA Assets	Amount (N' Billion)	% of Total RSA Assets	Amount (N' Billion)	% of Total RSA Assets
Top 3	3,221.34	54.20	3,336.24	54.20	3,414.95	54.23
Top 5	3,971.95	66.83	4,116.80	66.89	4,212.96	66.90
Top 10	5,232.65	88.04	5,414.57	87.97	5,531.54	87.84
Bottom 3	27.92	0.47	29.57	0.48	31.15	0.49
Bottom 5	109.40	1.84	113.98	1.85	118.79	1.89
Bottom 10	530.54	8.93	553.69	9.00	573.17	9.10

A review of PFAs' ranking by size of assets under their management showed that each of the top three and five PFAs accounted for more than half of the total RSA assets at 54.23 and 66.90 percent respectively. The top ten PFAs had 87.84 percent of the total RSA assets under their management while the bottom ten PFAs accounted for 9.10 percent of the RSA assets under management at the end of the reporting period.

3.3.3 Portfolio Performance

Introduction of the RSA Multi-Fund Investment Structure

The Commission commenced the implementation of the Multi-Fund Structure for Retirement Savings Account (RSA) Funds in July, 2018. Since inception of the Contributory Pension Scheme, all active contributors' funds were being invested solely in the RSA 'Active' Fund, irrespective of their age profiles. The Multi-Fund Investment Structure was thus conceived by the Commission to align the contributors' risk appetite at each stage of their active and retirement life cycles. The Multi-Fund Structure was issued in April, 2017, and consequently, all PFAs were advised to commence its implementation in July, 2018. The main objectives of the Multi-Fund Structure include the following:

- i. Achieve optimum returns for contributors by aligning their pension savings with their individual risk/return profiles.
- ii. Provide investment portfolio choices to Contributors.
- iii. Enhance portfolio diversification, through increased investment in equities and alternative assets such as infrastructure and private equity.

The Multi-Fund Structure entailed the segregation of the RSA Fund based on age profiles as follows:

- a) **Fund I:** Contributors below 50 years (By choice)
- b) **Fund II:** Contributors below 50 years (Default Fund)
- c) **Fund III:** For Pre-Retirees (50 years and above)
- d) **Fund IV:** For Retirees only

RSA 'Active' Funds

The Net Assets Value (NAV) of the RSA 'Active' Funds (i.e. RSA Funds I, II and III) recorded a net growth of ~~N~~129.61 billion (2.34 percent), from ~~N~~5.53 trillion as at 30 June, 2018 to ~~N~~5.68 trillion as at 30 September, 2018. The breakdown of the Net Asset Value of the various RSA 'Active' Funds were: RSA Fund I was ~~N~~6.53 billion (0.12 percent); RSA Fund II was ~~N~~3,677.29 billion (64.98 percent) and RSA Fund III was ~~N~~1,975.41 billion (34.91 percent).

The Weighted Average Rate of Return (WARR) of the RSA 'Active' funds were: RSA Fund I recorded 3.84 percent; RSA Fund II recorded 0.78 percent and RSA Fund III recorded 7.12 percent). The performance of Fund II was negatively impacted by the

resultant losses in marking to market the value of fixed income securities in the portfolio at the point of assets transfers to Fund I and Fund III in July 2018.

RSA Retiree Fund

The Net Asset Value of the RSA Retiree Fund increased by ₦12.76 billion, from ₦625.27 billion on 30 June, 2018 to ₦638.03 billion as at 30 September, 2018. The fund recorded a WARR of 11.57 percent (annualized), a slight decrease in performance when compared with the annualized WARR of 12.79 percent recorded in the second quarter, 2018. The yield on fixed income securities, which constituted approximately 99 percent of the total portfolio, declined marginally in third quarter, 2018.

CPFA Funds

The value of pension fund assets held by the CPFA Funds recorded a net decrease in value of ₦11.18 billion (-1.03 percent), from ₦1.09 trillion as at 30 June, 2018 to ₦1.08 trillion as at 30 September, 2018. The annualized rates of return recorded on the CPFA Funds ranged between 7.03 percent and 13.96 percent, which was reflective of the actual assets allocation of the individual Funds. The Funds with relatively high exposure to equity/equity funds recorded a lower performance, when compared to other Funds with more investments in fixed income assets.

Approved Existing Schemes

The NAV of the Approved Existing Schemes increased by ₦7.13 billion (0.75 percent), from ₦947.92 billion as at 30 June, 2018, to ₦955.05 billion as at 30 September, 2018. The net increase in the total portfolio value was mainly attributed to funds injected by the Scheme sponsors and interest/coupons from fixed income investments and unrealized gains from bond investments. The annualized rates of return recorded on the AES Funds ranged between 9.86 percent and 15.58 percent in third quarter 2018.

3.4 Retirement/Terminal Benefits

3.4.1 Retirees on Programmed Withdrawal

The total number of retirees currently receiving their pensions under the Programmed Withdrawal (PW) contracts increased by 3.49 percent from 185,092 in the previous quarter to 191,556 in the third quarter of 2018. A sectorial breakdown shows that 66.01 percent of those that received pension under the PW were from the public sector while retirees from the private sector accounted for the remaining 33.99 percent.

During the quarter under review, the sum of ₦15.23 billion was paid to 6,464 retirees as lump sum and ₦367.00 million as monthly programmed withdrawals. Details of these payments are provided in Table 3.12 below:

Table 3.12: Number of Retirees on PW as at Third Quarter, 2018

Period	Public		Private	Total	Lump sum (₦Million)	Monthly PW (₦ Million)
	FGN	State				
Inception to Q2: 2018	109,005	15,717	60,370	185,092	477,969.88	6,291.70
Q3: 2018	1,717	0	4,747	6,464	15,227.27	367.00
Total	110,722	15,717	65,117	191,556	493,197.15	6,658.70

Note: Public Sector refers to both Federal and State Governments

The Table further shows that from inception to date, the sum of ₦493.20 billion has been paid as lump sum and the monthly Programmed Withdrawals amounted to ₦6.66 billion.

3.4.2 Retirement by Annuity

The Commission approved a total of 2,831 applications for retirement under life annuity during the quarter, bringing the total number of retirees receiving their retirement benefits through the annuity plan to 57,302. The 2,831 retirees received ₦1.7 billion as lump sum payment and paid premium of ₦16.04 billion to insurance companies. This resulted in total lumps sum payment of ₦68.17 billion and monthly annuity payments of ₦3.00 billion.

Table 3.13: Retirement by Annuity as at Third Quarter, 2018

Period	Public		Private	Total	Lump sum (₦ Million)	Premium (₦ Million)	Annuity (₦ Million)
	FGN	State					
Inception to Q2: 2018	35,304	5,092	14,075	54,471	66,464.94	273,920.96	2,843.75
Q3: 2018	1,792	21	1,018	2,831	1,700.86	16,044.54	155.77
Total	37,096	5,113	15,093	57,302	68,165.80	289,965.50	2,999.52

3.4.3 Withdrawal of 25 Percent of RSA Balances

Approval was granted for payment of ₦5.09 billion to 13,176 RSA holders who were under the age of 50 years and were disengaged from work and unable to secure another job within 4 months of disengagement.

As shown in Table 3.14, the cumulative total number of RSA holders who were paid benefits for temporary loss of job was 289,126 and were paid a total of ₦98.28 billion being the 25 percent of the balances of their RSAs as prescribed by the Pension Reform Act 2014. A further analysis showed that the private sector accounted for 95.62 percent of those who benefitted from these payments while the public sector accounted for 4.38 percent.

Table 3.14: Withdrawal of 25% of RSA Balance During the Third Quarter, 2018

Period	Public		Private	Total	Total RSA Balance (₦ Million)	Total 25% Paid (₦ Million)
	FGN	State				
Inception to Q2: 2018	7,512	4,629	263,809	275,950	372,774.28	93,193.57
Q3: 2018	237	291	12,648	13,176	20,347.50	5,086.88
Total	7,749	4,920	276,457	289,126	393,121.79	98,280.45

3.4.4 Approval of Death Benefits

The Commission approved the payment of ₦8.00 billion as death benefits to the beneficiaries of the 2,426 deceased employees during the quarter under review, which brought the total number of deceased employees from both public and private sectors to 53,237. The amount paid during the quarter moved the total payments of death benefits to ₦164.12 billion.

Table 3.15: Approval of Death Benefits as at Third Quarter, 2018

Sector	Public		Private	Total	Total Amount Paid (₦ Million)
	FGN	State			
Inception to Q2: 2018	35,923	3,955	10,933	50,811	156,121.95
Q3: 2018	1,465	276	685	2,426	8,000.89
Total	37,388	4,231	11,618	53,237	164,122.85

Note: Total Amount paid is inclusive of Group Life Insurance Claims

3.4.5 En-Bloc Payments

The Commission granted approval for the payment of the entire RSA balances of the categories of retirees whose RSA balances were ₦550,000 or below and considered insufficient to procure a Programmed Withdrawal or Annuity of a reasonable amount over an expected life span. Approval was also granted for payment of RSA balances to foreign nationals who decided to return to their home countries after making contributions under the CPS.

Accordingly, the sum of ₦996.72 million was paid to 3,614 retirees, which comprised of 220 public (FGN and State) and 3,394 private sector retirees. Consequently, 99,444 retirees received en-bloc payments totaling ₦24.96 billion from inception to the end of the third quarter of 2018.

Table 3.16: Enbloc Payment to Retirees/Foreigners as at Third Quarter, 2018

Sector	Public		Private	Total	Total Amount Paid (₦ Million)
	FGN	State			
Inception to Q2: 2018	6,268	2,537	87,025	95,830	23,958.84
Q3: 2018	60	160	3,394	3,614	996.72
Total	6,328	2,697	90,419	99,444	24,955.56

3.5 Outlook for the Fourth Quarter 2018

It is expected that the equity market will continue its downward trend in the fourth quarter of 2018 as global and domestic challenges persist including declining oil prices, forthcoming elections in 2019 and subdued performance expectations on quoted company results in 2018. However, yields on Government Securities are expected to increase as Government attempts to stem the outflow of Foreign Portfolio Investors (FPI) due to the approaching election cycle in 2019.

It is also envisaged that the inflation rate would continue its downward trend, from the average inflation rate recorded in third quarter, 2018 (11.22 percent). Overall, pension fund portfolios are expected to show continued growth in fourth quarter, 2018, on the back of monthly receipts of pension contributions, which continue to average ₦50 billion.